

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

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OPIC-12 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01 SS-15

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FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 7257

INFO USMISSION EC BRUSSELS

C O N F I D E N T I A L COPENHAGEN 1525

DEPT PASS TREASURY AND FEDERAL RESERVE

E. O. 11652 GDS

TAGS: EFIN ETRD

SUBJECT: DANISH CONCERN ABOUT DOLLAR DECLINE

SUMMARY. SENIOR DANISH FINANCIAL OFFICIALS ARE CONCERNED ABOUT CURRENT UNSTABLE FOREIGN EXCHANGE MARKETS WHICH THEY FEAR COULD ADVERSELY AFFECT MULTILATERAL TRADE TALKS AND DANISH KRONER. THEY URGE THAT US INTERVENE IN MARKET TO BOLSTER DOLLAR WHICH THEY REGARD NOW AS SERIOUSLY UNDERVALUED. END SUMMARY

1. IN MEETING WITH CHARGE AND ECONCOMOFF JULY 2, DANISH ECONMIN PER HAEKKERUP REPEATED CONCERNS WE HAVE HEARD SEVERAL TIMES OVER LAST WEEK FROM DANISH NATIONAL BANK ABOUT CURRENT DECLINE OF US DOLLAR. DANES REGARD DOLLAR AS SERIOUSLY UNDERVALUED AND CONSEQUENTLY TRADE DISTORTING. HAEKKERUP POINTEDLY REFERRED TO FRENCH POSITION ON TIE- IN BETWEEN PROGRESS IN MONETARY AREA WITH SUCCESSFUL MULTILATERAL TRADE TALKS AND THOUGHT ASSOCIATION OF TWO VERY LEGITIMATE. WHEN WE COUNTERED HIS ARGUMENT, HE ADMITTED HE MAY BE ON WEAK GROUND " THEORETICAL- LY" BUT INSISTED THAT ATMOSPHERE CREATED BY PRESENT UNCERTAIN FOREIGN EXCHANGE MARKETS AND FAILURE OF FED OFFICIALLY TO INTER-
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VE NE TO BOLSTER DOLLAR WOULD NOT BE CONDUCIVE TO PROPIT-
IOUS START FOR MTN. HE FELT IMMEDIATE CORRECTIVE ACTION WAS
ESSENTIAL.

2. HAEKKERUP RECALLED US REMARKS AT SPRING PARIS MEETING OF
EXPANDED G-10 AND MORE RECENT STATEMENTS BY UNDER SECY VOLCKER
AND CHAIRMAN BURNS BEFORE JOINT ECONOMIC COMMITTEE OUTLINING
US POLICY ON OFFICIAL INTERVENTION. HE THOUGHT SITUATION HAD
NOW CLEARLY REACHED SUFFICIENTLY SERIOUS STAGE FOR INTERVENTION
WHICH WOULD, IN HIS VIEW, HAVE SALUTARY EFFECT NOT ONLY ON
EXCHANGE MARKETS BUT ON GENERAL ATMOSPHERE.

3. EMBASSY COMMENT. DANES FREELY ADMIT THEY
HAVE THE WEAKEST CURRENCY IN COMMON EUROPEAN FLOAT. AN
ANTICIPATED LARGE 1973 CURRENT ACCOUNT DEFICIT (POSSIBLY
APPROACHING
THAT OF 19 71) MAKES THEM NO LESS NERVOUS. WHILE THEY ARE FAIRLY
CONFIDENT THAT THEIR CONTINUING STRIGENT MONETARY CONTROLS WILL
PREVENT ANY DISASTROUS FLUCTUATIONS OF THE KRONER, THEY FEEL A
STRENGTHENING OF THE DOLLAR WOULD PLACE THEM IN A MORE SECURE
POSITION IN THE SNAKE.
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